

# European Communities

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## EUROPEAN PARLIAMENT

# Working Documents

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DOCUMENT 446/75

## Report

drawn up on behalf of the Committee on Social Affairs and Employment

on the Third Report on the activities of the new European Social Fund in 1974

Rapporteur: Mr Liam KAVANAGH

1.2.1

PE 42.659/fin.

EP 1975-76: 446



By letter of 17 September 1975 the Committee on Social Affairs and Employment requested authorization to draw up a report on the Third Report on the activities of the new European Social Fund in 1974.

Authorization was given by the President of the European Parliament in his letter of 29 September 1975. The Committee on Budgets was asked for its opinion.

On 17 September 1975 the Committee on Social Affairs and Employment appointed Mr Kavanagh rapporteur. It considered the draft report at its meetings of 1 December and 8/9 December 1975 and adopted the motion for a resolution and the explanatory statement unanimously with one abstention at the meeting of 8/9 December.

Present : Mr Bertrand, chairman; Mr Marras, vice-chairman; Mr Kavanagh, rapporteur; Mr Albers, Mr Albertsen, Mr De Sanctis, Mr Dondelinger, Mr Pêtre, Mr Prescott, Sir Brandon Rhys Williams (deputizing for Mr Howell) and Mr Rosati.

The opinion of the Committee on Budgets is attached.

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The Committee on Social Affairs and Employment hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement :

MOTION FOR A RESOLUTION

on the Third Report on the activities of the new European Social Fund in 1974

The European Parliament,

- having regard to the Third Report on the activities of the new European Social Fund in 1974 (COM(75) 355/final);
- having regard to the report of the Committee on Social Affairs and Employment and the opinion of the Committee on Budgets (Doc. 446/75);
- 1. Refers to the observations made regarding the Fund's basic set-up and procedures in connection with the First<sup>1</sup> and Second<sup>2</sup> Report on the activities of the new European Social Fund;
- 2. Regrets that these observations have not yet been sufficiently acted upon in the allocation and control of funds within the management of the Social Fund;
- 3. Welcomes the fact that the Commission draws clear-cut conclusions in the Third Report for the future from its policy hitherto, but sees no possibility of a real improvement in the methods adopted in view of the inadequate appropriations provided even in the new budget;
- 4. Welcomes the Council decision of 27 June 1975 to open the Social Fund under Article 4 to two new categories - migrant workers and handicapped persons<sup>3</sup>, and also the decision of 22 July 1975 in favour of young people<sup>4</sup>;
- 5. Also notes with satisfaction that the Council recently approved the Commission's proposals for the amendment of the financial regulation of the European Social Fund<sup>5</sup> and in regard to the intervention of the European Social Fund in favour of the textile and clothing sectors<sup>6</sup>;
- 6. Deplores, however, the fact that the Council has rejected the proposal for a decision on European Social Fund measures to aid vocational adaptation operations<sup>7</sup>, to which the European Parliament attached great value;

<sup>1</sup> Doc. 18/74

<sup>2</sup> Doc. 380/74

<sup>3</sup> OJ No. L 185/74, pp. 20 and 22

<sup>4</sup> OJ No. L 199/75, p. 36

<sup>5</sup> Doc. 155/75

<sup>6</sup> Doc. 332/75

<sup>7</sup> Doc. 331/75

7. Also declares it unreasonable that the Council should have cut the Social Fund's appropriations in the preliminary draft budget for 1976, while talking at the same time of the possibility of the Community's making a constructive contribution to a general employment policy;
8. Points out in this connection that the transfer of projects from Article 4 to Article 5, with a view to increased flexibility and reduced dependence on the Council's constantly held-up approval, has obviously not yet been made, although suggested in several European Parliament opinions<sup>1</sup>;
9. Requests the Commission to tackle the much-heralded new reform of the Social Fund as soon as possible;
10. Notes that the anomalies in the Social Fund's procedure for granting funds<sup>2</sup> which were clearly set forth in the First Report of the Committee on Social Affairs and Employment on the activities of the new European Social Fund<sup>3</sup>, have still not been disposed of;
11. Is convinced that this problem can be solved only through a radical reorganization of the Fund's operating methods and of its system for submitting applications, replacing the current practice of financing projects of a predominantly national character by a genuine Community outlook;
12. Regrets that the European Social Fund in its present form and with the funds available offers too little opportunity for an effective contribution to be made to reducing unemployment, and therefore insists that, in view of the unfavourable trend in the social situation, the existing possibilities must be used not only to combat structural unemployment, but also within the framework of the general recession;
13. Invites the Commission to make further efforts in the difficult task of establishing criteria for allocating funds and checking how efficiently they are used, and requests it to ensure that funds are not allocated in an unbalanced manner owing to the varying degrees of efficiency of national administration;
14. Feels that both the Commission of the European Communities and the national governments concerned must in future put the European Social Fund appropriations to better use and insists in particular that appropriations that have been approved for a given financial year must be used in that year, with allowance made for exceptional cases;

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<sup>1</sup> Doc. 74/75, p. 7

<sup>2</sup> COM(75) 355 final, pp. 48 and 49

<sup>3</sup> Doc. 18/74, pp. 10 and 11

15. Suggests that the Commission, in administering the Social Fund and further improving it, should really exhaust all possibilities and take account of the experience of other organizations which are faced with similar problems;
16. Endorses in principle and subject to the above considerations, the Commission's activity in regard to the European Social Fund in 1974 and the general guidelines set out by the Commission in the final chapter, and hopes that this resolution will be considered a constructive contribution;
17. Instructs its President to forward this resolution and the report of the committee to the Council and Commission of the European Communities.

EXPLANATORY STATEMENTGENERAL

1. On 23 July 1975 the Commission submitted to the Council and the European Parliament its annual report on the activities of the Social Fund for the preceding financial year 1974 and the foreseeable trends in expenditure during the next three years. This report breaks new ground as it contains, at the European Parliament's request, a chapter of critical comments on the impact of the Social Fund on the Community's employment policy. There is no question that, in view of the steadily deteriorating economic situation and the effects this has on the labour market, the original concept of the new Fund, as a means of pursuing an active Community employment policy through the best possible adaptation of the entire labour force in terms of Community priorities, must be expanded. It is no longer enough to maintain full employment, combat under-employment and promote further vocational training; top priority must now be given to combating unemployment.
2. Since this unsatisfactory economic trend was already evident in 1974, the Commission sets out in its report the obstacles to be overcome in ensuring the coordination of the Social Fund's activities, asked for by the European Parliament and the promotion of a common employment policy, namely:
  - (a) The limited funds made available to the ESF. (Clearly, beyond a certain level, aid from the Fund is bound to influence national aid);
  - (b) The fact that the Member States alone are competent to forward applications for assistance from the Fund;
  - (c) The legal, material and psychological constraints faced by the Commission in its efforts to step up the coordination of employment policy at Community level.

In its report, the Commission proposes as the most direct and appropriate first step that 'the government members of the Committee of the Social Fund ..... give regular assessments of the applications for aid presented in the context of all national aid.'
3. Although the criteria referred to in the above connection are decisive, it is incomprehensible, and in the opinion of the European Parliament



unacceptable, that representatives of the national governments should call, at national level and with respect to the Community, for national employment policies to be replaced by a policy formulated at Community level, while at the same time cutting down within the Council the already inadequate appropriations, as has again been the case with the 1976 estimate, by reducing the 500 m u.a. requested by 100 m u.a. The European Parliament has already twice criticized this Council practice in regard to the Social Fund without, however, obtaining any satisfaction. Consequently, it is essential that the European Parliament should open up, jointly with the Commission (which is no less concerned) new and more promising opportunities for action.

4. Here, attention must again be drawn to the failure to follow up the recommendations made in the reports of the Committee on Social Affairs and Employment which took account of the comments of the Committee on Budgets, on the various activities of the Social Fund that a more flexible approach be adopted, that the Council's constant dilatoriness in approving the financing of projects already authorized be overcome, and that new activities be financed under Article 5 instead of Article 4. Such a reorganization should be considered at least within the framework of the impending further reform of the Social Fund, as announced by Dr Hillery, Vice-President of the Commission, in his contributions to the debate on the economic and social situation in the Community at the plenary sitting in Strasbourg on 14 October 1975, especially in view of the persistence, on the part of the Commission, of tendencies towards imbalance in the submission of applications for aid and in the various financing facilities that have existed over the past few years.
5. Also to be taken into account in this further reform are the varying degrees of efficiency of the Administrations of the various Member States; this has meant that the States with the most efficient Administrations in public and semi-public institutions have made the most of the scope offered by the Social Fund. As a result, the original purpose of facilitating structural adaptation and ensuring balanced and harmonious development of the regions has not been fulfilled.

It is also essential to reconsider the criteria for eligibility for aid and the allocation of funds, as well as constant checks on how efficiently they are used, in which connection special attention is drawn to the problem of the various ways existing rules can be interpreted.

#### GUIDELINES FOR THE FUTURE

6. In drawing up priority aims for the immediate future, the Commission took into account both the guidelines derived from the various decisions of the Council and the stimulating effect the Social Fund will have on

national policies. It is estimated that the Social Fund will contribute 5-10% towards public expenditure on vocational training for adults in the Member States.

Naturally, such a small percentage will not carry much weight; it can only be hoped that, used properly, it will act as an incentive.

#### Guidelines derived from the Council decisions

#### 7. Principally:

- aid for retraining special categories of workers having priority in the Community's social policy, the handicapped, migrant workers and young people under 25;
- contribution to increased expenditure on vocational training in the under-developed regions;
- aid to prepare workers for the consequences of economic change.

#### Additional aims

Because of limited funds, additional targets must be set in which the incentive role of the Social Fund can come into play:

- use of the Social Fund aid to boost the overall efforts of the Member States in the field of vocational training;
- above all, support for the efforts made by certain countries to close the gap between them and their partners;
- encouragement of coordinated measures by firms and various public services concerned with employment through staggered contributions from the Fund.

#### Forecasts of Social Fund Expenditure

8. In its report, the Commission considers it advisable to adopt, as a basis for its forecasts of Social Fund expenditure for the next few years, average annual increase rates of 20-25% for the present areas of intervention, thus stabilising its contribution vis-à-vis the expenditure of Member States. In accordance with the Commission's budgetary practice multiannual forecasts are expressed in terms of constant prices for the current financial year. On the basis of the 1975 appropriations totalling 355 million u.a., an increase rate of 25% for 1976 would produce a budget of 450 million u.a. (500 million u.a. at current prices). In view of the Council's non-cooperative attitude regarding the 1976 budget estimates for Social Fund expenditure - to which reference has already been made - the real increase rates of 10-15% (25% at current prices) forecast for 1977 and 1978 seem extremely optimistic.

## CONCLUSIONS

9. It cannot be said, after studying its report on the activities of the Social Fund for 1974, that the Commission has not given sufficient information on its efforts to determine the most efficient and equitable allocation of funds and on future prospects. The European Parliament can only endorse the proposals and suggestions submitted by the Commission. However, in view of the tense economic situation and the growing discrepancy between verbal approval of Community operations, on the one hand, and actual national policies for combating the crisis on the other, it finds itself unable to take a rosy view of the prospects set out in the Commission's 1974 report.

It may also be asked of what use it can be to discuss at the end of 1975 a period that has long since passed, unless consideration of such a report is regarded as a constructive basis for a genuine Community employment policy in the medium and long term which can only be directed towards the common interest of all.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman for the Opinion: Mr. Tom DALYELL

On 6 October 1975 the Committee on Budgets appointed Mr DALYELL as draftsman.

It considered the draft opinion at its meetings of 18 November 1975, and 4 December 1975, when it was adopted unanimously.

There were present :

Mr Lange, Chairman; Mr Dalyell, Draftsman for the Opinion; Lord Bessborough, Lord Bruce of Donington, Mr Concas, Mr Fabbrini, Mr Gerlach, Mr Hansen, Mr Lagorce, Mr Lautenschlager, Mr Notenboom, Mr Schmidt, Mr Shaw, Mr Terrenoire, and Mr Yeats.

## Introduction

1. The Committee on Budgets is consulted for its opinion on this report - mainly for the matters of budgetary interest - and the Committee with basic competence is the Committee on Social Affairs and Employment. The report prepared by the Commission is the most extensive of the series and at least half the report is devoted to examining the financial aspects of the working of the Fund.

2. On October 21st your draftsman submitted a questionnaire to the Commission containing some 65 questions, and both questions and replies are annexed to this opinion. The aim of the questions was to elicit supplementary information, directly arising from the report and particularly to find out the progress made between the end of the 1974 financial year and the present time, and the prospects for future measures to deal with the particular problems arising.

3. The core of the problem with the operations of the Fund at the moment is that for certain operations, namely those connected with Article IV of the Fund, there is a problem of under-utilisation because of the slow procedure for the opening of areas of intervention :

and for the other part of the Fund, Article V, of the basic regulation, applications vastly exceed available appropriations necessitating either budgetary carry-forwards and transfers or a post hoc tightening of criteria for approval of applications, or both.

4. So there is this paradox that, on the one hand for operations under Article IV of the Fund, there are too few applications for over-burdened appropriations, and on the other hand, for Article V, a torrent of demands and insufficient appropriations. Other main problems concern the over-estimation of appropriations in the original applications, the quality of projects, the length of time required to process applications whilst retaining sufficient standards of control, and the overlapping between the two sectors set out in Articles IV and V.

5. The importance of such reports and the relationship they have with the carrying out of Parliament's responsibilities for the scrutiny of expenditure, cannot be exaggerated. For the Committee on Budgets to carry out its role effectively it is necessary for officials of the

Commission to attend several meetings of the Committee, to answer questions posed by members, and to provide thorough written information when required. This work, which should take place every year, has added importance at a time when the review of the social fund is mentioned. Article 11 of the Decision of 1 February 1971 on the reform of the European Social Fund<sup>(1)</sup> reads as follows :

"The Council shall review this decision not later than five years after the date of its entry into force ..."

So next year the review of the Social Fund will begin and it would be reasonable to expect the comments made by the European Parliament on this Third Financial Report to be taken into account at the time of the review : Parliament will reserve for itself the right to give its opinion on any proposed decisions forming part of this review.

#### The main characteristics of the Fund

6. The Opinion of the Committee on Budgets on the First Year of the New European Social Fund, prepared by Mr Rossi<sup>(2)</sup>, sets out in clear form the main characteristics of the Fund and your draftsman quotes this as an introduction to the present Commission report.

"The main characteristics of the Fund as regards its budgetary implications are as follows :

- applications for aid from the Fund are approved by the Commission and aid is paid out as the operations thus authorized progress ;
- pursuant to the financial regulation of 25 April 1973, the Fund's budget for a financial year includes not only the appropriations for that financial year but also any commitment authorisations for the two subsequent financial years ;
- aid from the Fund is of two types :
  1. Action under Article IV : This relates to employment and can be implemented only in conjunction with Council decisions. It is subject to the Council opening up, on a proposal from the Commission, specific areas of intervention ;
  2. Action under Article V : This relates to employment, the regions, certain fields of activity and categories of persons. It is independent of Council decisions and does not require specific

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(1) Regulation 71/66 EEC, O.J. of 4.2.1971

(2) PE 36.130/fin.

'areas' of intervention to be opened up. Although such action is to account for at least 50 per cent of the Fund's appropriations in the first five years, priority will subsequently be given to action under Article IV;

- the Commission may carry out or assist studies or pilot schemes (up to 50 per cent of expenditure) to enable aid from the Fund to be allocated to the best advantage."

The budgetary translation of this is shown in the following table which covers four chapters in Title V of the General Budget and shows their evolution from 1972 to 1975.

Budgetary appropriations for the Social Fund : Chapters 50 - 54 of the  
General Budget

(Initial) appropriations of the financial years  
(in millions of u.a.)

Article	Item	Heading	Appropriations in millions of u.a.			
			1972	1973	1974	1975
500		<u>Chapter 50</u> Expenditure under Article 4	7.5	68.8	98.8	110.0
510		<u>Chapter 51</u> Expenditure under Article 5	35.0	153.4	168.4	245.0
520	5200	<u>Chapter 52</u> Pilot schemes and preparatory studies	0.25	0.75	0.60	0.90
Total New Social Fund (Chapters 50, 52)			42.75	222.95	267.8	355.90
<u>Former Fund</u>						
530		<u>Chapter 53</u> Expenditure provided for under Art.125(1) (a) of the EEC Treaty				
	5301	Vocational retraining	53.0	57.0	56.0	13.4
	5302	Resettlement	2.0	3.0	4.0	-
540		<u>Chapter 54</u> Expenditure provided for under Article 125(1) (b) of the EEC Treaty				
	5401	Conversion	-	-	-	-
Total Social Fund (Chapters 50-54)			97.75	282.95	327.8	369.3



7. In the following comments your draftsman allows himself to mention the development of appropriations even for years after that covered by the Commission's report under consultation, so that any recommendations made by the Committee on Budgets can be put forward in the light of the most recent developments.

#### The Development of Budgetary Appropriations and their Utilisation

8. (a) The area covered by Article IV of the Social Fund, Chapter 50

Expenditure increased from 68.8 m.u.a. in 1973 to 98.8 m.u.a. in 1974 : an increase of 43.6%. Appropriations were utilised for 1974 only up to about 48% (47.4 m.u.a.). This then had to be carried over to the 1975 financial year which is why the increase of appropriations for 1975 was relatively slight, 98.8 m.u.a. to 110 m.u.a. (practically a negative increase if inflation is taken into account).

For 1976 the situation has further evolved, largely as a result of the deterioration in the employment situation, and the Council has opened up new areas of application for the Fund - particularly the young unemployed, migrant workers, and the handicapped. Since 1975, applications have exceeded available appropriations. The Commission therefore decided to ask for the doubling of appropriations - 110 m.u.a. to 220 m.u.a. The Council has in its draft budget cut back the increase to 150 m.u.a., scarcely, in the Parliament's view, sufficient to allow any real contribution towards the problem of young unemployed in the Community. Parliament, in its proposals, largely restored the original Commission request.

(b) The area covered by Article V of the Social Fund, Chapter 51

Appropriations were increased from 153.4 m.u.a. in 1973 to 168.4 m.u.a. in 1974 - an increase of approximately 9.8%. During 1974 the applications largely exceeded available appropriations (they totalled 354.8 m.u.a.). This caused a post hoc tightening of criteria for approval of applications and a carry over from the 1973 total under Chapter 50 to the 1974 appropriations under Chapter 51 (40.7 m.u.a.). In order to remedy this difficult situation, Parliament, using its right of amendment, obtained an increase in appropriations under Chapter 51 of 45.5% for 1975.

For 1975, the excess of applications over appropriations available remains but a greater degree of comparability between the total for the two Articles IV and V is gradually being achieved. The Commission proposed for 1976 a limited increase in appropriations of 14.2% ( from 245 m.u.a. to 280 m.u.a.). The Council has subsequently proposed to limit that increase to 250 m.u.a. and Parliament's reaction at the most recent budget debate was to restore the cuts made by Council.

For the remaining areas covered by Regulation 2396/71, Council Decision of 1 February 1971 (Chapter 52 of the Budget) and Article 125 of the Treaty (Chapter 53), the budgetary appropriations have developed as can be seen from the table; namely stabilisation of appropriations for pilot schemes and preparatory studies and the gradual phasing out of expenditure on vocational retraining and resettlement as envisaged under the old Social Fund. (These activities were taken up under the new Social Fund in a different form).

#### The Principal Points arising out of the Report by the Commission

##### 9. The volume of appropriations

There has been a steady increase in the appropriations under the Social Fund largely in response to the extra calls made upon it. Forecasting has proved difficult because needs are difficult to define in advance and because of the particular nature of the European Social Fund which tends to intervene in crisis situations (e.g. major increases in unemployment).

Furthermore, the Community appropriations under the Fund are a tiny proportion of expenditure of that carried out by the Member States in the operation of their own national policies and it remains the case that within the Community Budget, expenditure in the social sphere was not accorded priority treatment in 1974 - only 5.26% of the Budget was destined for the European Social Fund.

10. Because of the complementary nature of the Fund and the fact that the limitation on the total amount of appropriations means that only relatively small projects, not taken up by the Member States, can be covered by the Community, there remains a doubt as to the quality of the projects supported by the Community ; a parallel may exist here with the adverse comments made on the Regional Development Fund. Part of this problem should have been circumvented by the achievement of equilibrium between expenditure under Articles IV and V.

11. Article IV of the Fund calls for intervention when problems exist 'on a scale justifying Community intervention' and permits the Council to open up specific areas of operations. Article V deals with operations where such specific decisions by the Council are not required, and Article IX of the Decision referring to the budgetary procedure involved states that "in the long term the greater part of the available credits must be referred for action under Article IV".

12. However, the development of the Fund has been such as to question the wisdom of the separation between Article IV and Article V and the giving of priority to Article IV, given the slowness of the opening up of areas for action, the lack of applications and the risk of overlapping between the two Articles. Furthermore, the delays in opening up new sectors of activity under Article IV equally cast doubts on the original decision to leave exclusively in the hands of the Council a power to open up these areas of intervention 'on a Community scale', whereas paradoxically the Council does not enjoy such exclusive powers in areas of 'national' activity under Article V.

#### The Cancellation of Appropriations

13. At the end of 1974, 23.85 m.u.a. were cancelled because they lapsed at the end of the 1974 financial year. This was partly due to the restrictions involved in the distinction between the two Articles of the Fund, reproduced in the two different Chapters (50 and 51) of the Budget.

14. Another and even more important element which contributes to the eventual cancellation of appropriations is the problem of overestimation. On page 19 of the Report the Commission states the problem :  
"... the problem here is ... that (the requests for payment) are submitted for amounts considerably lower than those originally approved and committed. One of the chief motives for this behaviour can doubtless be ascribed to the rule that payment requested may be less but never more than the amount approved. By making a precautionary over-estimate, which inflation encourages, promoters provide for too wide a safety margin. Nine-tenths of the losses of appropriations in 1974 can no doubt be attributed to the psychological factor, whose negative effects are felt in the full force on account of the inflexibility of the prevailing financial regulations."  
In other words, the applicant has every interest in pitching his demand high with the consequence that appropriations are blocked and end up being cancelled when the final claim for a lesser amount is honoured.

15. Connected with this problem are the two time factors. At present, under the existing provisions of the Financial Regulation, appropriations, whether carried over under the automatic or non-automatic arrangements,

depending on whether appropriations have been committed or not, are cancelled automatically if they have not been paid out before the end of the financial year to which they have been carried forward. The Commission has proposed an amendment to the Financial Regulation relaxing this provision ; this proposal has already been the object of a favourable Opinion of Parliament<sup>(1)</sup>, but action has still to be taken by Council. In any case, this proposal would not in itself resolve all the problems.

16. For ultimately they are caused by delays in processing the applications and by more serious delays in the presentation of demands for payment, followed by equally lengthy processing of these demands, prior to payment. The Commission here proposes a cut-off date for the receipt of applications. But again this measure is not sufficient.

17. Generally the two problems - length of delays in dealing with applications and preliminary examination of applications to make sure that the original amount requested has not been overestimated, are problems of financial and administrative control which fall within the competences of the Directorate-General V of the Commission. Your draftsman understands that only three administrators are available fulltime for the work of control of applications. It is scarcely surprising that administrative delays are caused, and the Commission, sovereign for its own establishment plan, should investigate the possibilities of increasing staff for these tasks.

#### Recommendations of the Committee on Budgets

18. To prevent a repetition of the cancelling of appropriations which took place in 1974, the Committee on Budgets recommends a speedy Council adoption of the draft regulation amending the Financial Regulations as regards appropriations for the European Social Fund, as amended by Parliament, so that the period in which appropriations can be carried forward can be extended.

Furthermore, as a means of regularising the situation with regard to the gap before payments are finally made, the Committee on Budgets recommends again the proposal that was made in the context of Mr Cointat's Report on the Draft General Budget for 1976 (Doc. 361/75 )

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(1) Doc. 258/75

namely that the commitment and payment appropriations be introduced for the Social Fund. By this technique the Commission would be able to honour the commitments entered into within the calendar year in the succeeding years through payment appropriations.

19. In the context of the general review of the Social Fund, to take place for 1977, attention should be given to removing the overlapping that exists between Articles IV and V of the Fund and the difficulties of interpretation mentioned in the Commission's report.

The Commission should particularly pay attention to the idea in the existing decision reforming the Social Fund that activities under Article IV should, in the long term be given priority.

Finally, on this point, ways of accelerating the procedure for opening up areas of intervention under Article IV should also be examined so that the Fund could react more rapidly to evolving situations in the social sphere, without retaining for the Council the exclusive power of decision in this sector, which, given that activities here are of Community importance, should be made on the basis of Community procedures.

20. Since many of the problems connected with the management of the Social Fund are problems of adequate financial control, it is desirable that the number of staff available for the Commission in the section dealing with the administration and finances for the European Social Fund in Directorate B of Directorate-General V of the Commission, be increased so that delays in carrying out the Commission's responsibility in processing applications and claims can be reduced. As a preliminary measure the Commission should be advised to increase the strength here, perhaps through some screening mechanism, freeing some members of staff from other services. In any case, for the 1977 budget we should consider this aspect in detail when we examine the Commission's establishment plan.

21. One of the problems referred to in the report concerns the lack of information provided for the Commission by the Member States. This covers several aspects of the Fund, but particularly concerns employment figures and the need for assessments of applications for aid in the context of national aid. Member States should be encouraged to extend their forecasting and make the fruits of the information they have, available to the Community.

22. The Commission, in its report, provides forecasts for appropriations for 1977 and 1978. For these forecasts to be of value they should be presented in a more detailed fashion with an indication of the development of the Commission's thinking about the priorities within the different sectors of activity covered by the Social Fund.

Questions to and answers from the Commission of the European Communities on the points arising from the Third Report of the activities of the New European Social Fund - 1974 financial year

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Presentation

1. Q. Can the Commission explain why the deadlines envisaged for the presentation of this report (six months after the end of the financial year) have once more not been respected?
  - A. The final version of the Third Report on the Activities of the New European Social Fund (COM(75) 355 final) was adopted by the Commission on 23 July 1975; the three weeks' delay in presenting the Report (deadline 1 July) was due, in particular, to the time required to translate the successive versions of such a report before its finalization.

The priority which was given during this period to documents concerning the preparation of the 1976 budget was another reason for the delay in supplying the report in all the Community languages.

Overall survey of activities during 1974 (page 5)

2. Q. Can the Commission explain how 'the opening of new areas of intervention under Article IV hinders flexibility in the operation of the Fund' ?
  - A. It is not the opening of new areas of intervention under Article 4 but 'the fairly demanding procedure which must be followed for the opening' (page 5) which hinders flexibility in the operation of the Fund.
3. Q. Can the Commission state what success has been achieved in the coordination of national employment policies, in accordance with the wishes of the Social Conference of 16 December 1974? (Reference page 9)

3. A. The Commission forwarded an initial document on the coordination of employment policies to the Council on 17 June. New discussions on this are planned at the next meeting of the Standing Committee on Employment.

Concrete action has already been taken in cooperation with the national officials responsible for employment in two particular fields: employment forecasts and problems connected with the employment of young people. Action has also been launched to establish the exact nature of national objectives with regard to the Social Fund. This work consists of gradually defining the multiannual guidelines described in Chapter V of the Report.

4. Q. Can the Commission now provide an answer to the question it poses on page 10 concerning the number of migrant workers attending vocational training courses through the Community?
5. Q. Can the Commission equally provide an answer for the question it poses, on the same page, concerning the number of people leaving agriculture who have attended existing training centres, and what is the maximum intake of those training centres?

4. and 5

- A. These two questions are intended only to illustrate the 'essentially subsidiary nature of the Social Fund', particularly if the 'appropriations and requirements' are compared in two fields for which new areas of intervention were opened under Article 4: for agriculture in December 1972 and for migrant workers in June 1974. The lack of detailed information in this respect, which in fact exists, but is only fleetingly mentioned here (cf. answer to question No 58) is only a reflection of the lack of Community or national forecasts on vocational training, despite the various studies which have been undertaken. National vocational training systems are financed in various different ways and often have very complex structures (links with the school system, the role of firms, etc.) and the rules governing their operation have often changed to keep pace with the large expansion which they have undergone during the last few years.



6. Q. What are the Commission's impressions now, in the perspective of the economic crisis of 1975, on the problem posed in the report (on page 10) concerning the danger that the Fund would automatically tend to favour 'the most prosperous and well-organised states and regions'?

A. The Report notes in this respect (page 10) that priority is given by Article 2 of Council Regulation (EEC) No 2396 to operations under Article 5 in regions which suffer structural unemployment and under-employment (60% of the appropriations available under Article 5 are thus reserved as a matter of priority for them). The Commission also considered in its guidelines that a 'highly desirable' supplementary corrective mechanism would be achieved by applying 'differential rates of intervention' (cf. Section II, point 2 of Chapter V, page 73) as 'variations in the intensity of need must be taken into account and special attention paid to the efforts made by certain countries to close the gap between them and their partners' (page 73, ibid.).

7. Q. Can the Commission give further information on the preparatory work that it has undertaken with the coordination of employment policies supported by the new Standing Employment Committee? (Reference page 11)

A. See answer to question 3 above.

8. Q. How far has the Commission progressed in its study of ensuring the best use of Community financial instruments (for example the EAGGF Guidance Section and the European Investment Bank) for achieving maximum impact for its interventions, in accordance with the Social Action Programme? (Reference page 11)

A. Without waiting for the conclusions of the more comprehensive study referred to by the Honourable Member, DG V has introduced a concrete consultation procedure with the competent services of the Regional Fund and the EIB.

An 'interdepartmental' Working Party on the Social Fund has also been set up to study any proposals worked out by the staff of the Social Fund with regard to applications for assistance submitted by the Member States before they are forwarded to the Social Fund Committee. The Working Party is composed of the representatives of the various Directorates-General concerned, particularly those

responsible for industrial, agricultural, competition and regional policy, etc. A similar 'interdepartmental' consultation procedure has existed for a long time for ECSC aids.

9. Q. Has the low number of applications for operations relating to adaptation to technical progress been repeated through 1975? If so, what is the Commission doing to publicise the work of the Fund in this field?

A. Although it is difficult at the present moment to take precise stock of the situation - this will appear in the next annual report - it can be said that several applications for large operations have been presented in 1975 under the heading of technical progress.

The Commission departments will ensure that they make this field of intervention known to the Member States in their dealings with them. They could not, however, claim to be a substitute for national organizations.

10. Q. Why did the Committee of the Fund not accept the suggestions made by the Commission concerning priority for sizes of undertakings, and why does the Committee believe that priority should be given to the difficulties affecting groups or medium sized undertakings, without any restriction to the priority regions? What are the consequences of this decision? (Reference page 13)

A. This passage (page 13) was intended to illustrate, by a specific example, the pragmatic attitude of the Fund Committee which mistrusts any 'doctrinaire' assumption: the initial proposal of the Commission to leave out small projects to avoid 'scattering' funds over a wide area. The Committee's philosophy seems to relect, in this matter of the size of undertakings, the concern of the Member States which prompted question No 6 of the Committee on Budgets: to avoid 'the danger that the Fund would automatically tend to favour the most prosperous and well-organized ...' (See also page 54 of the Report, i.e., the end of Section 2 of Chapter III.)

Financial and budgetary aspects

11. Q. Concerning the amendment put forward by the Commission regularising the provisions concerning carry-forwards of appropriations, what is the present state of play on the adoption of this regulation? What would be the consequences, in terms of appropriations lost, of a non-decision on this point? (Reference pages 16 and 17).

A. This amendment has just been adopted in principle on 14 November by the Permanent Representatives Committee. It was, however, limited to the appropriations for payment for the 1974 financial year which means that authorization has virtually been granted to carry them over to 1976. On the other hand, authorization has not been granted to carry over the 1975 appropriations (including the non-automatic carry-over of 51.36 million u.a. under Article 4 from 1974 to 1975 authorized by the Council on 22 September 1975). It seems that a large part of these 51.36 million u.a. which, under the terms of the Financial Regulation, must be committed and paid before 31 December 1975, will be cancelled because requests for payment have not been submitted in time. There is a danger that some of the difficulties which led to the Commission's proposal may recur at the end of 1976, with regard to the other appropriations for 1975, which will be automatically carried forward in 1976 if they are committed before the end of the financial year. If the Parliament's proposal to distinguish between appropriations for commitment and appropriations for payment has not been enforced by 1976, the Commission will have to find, with the consent of national administrations, procedures which will eliminate as far as possible any delay in the submission of requests for payment.

12. Q. Concerning the notification of a request for a carry-over, what is being done to speed up, within the Commission sufficient improvements in forecasting methods to enable these notifications to take place well before the end of the fourth quarter?  
(Reference page 19)

A. Since it is up to the Member States to notify the Commission of requests for a carry-over, the Commission has only been able to repeatedly point out to the Fund Committee and national administrations the disadvantages of late carry-overs. The Commission has already been notified of major carry-overs. It cannot, however, make a general assessment until the end of the financial year. This assessment will be included in the next annual report.

13. Q. The Commission refers to the major problem of over-estimation of the amounts submitted for approval. (Page 19)  
What action does the Commission propose for the tackling of this problem?  
Can the Commission give some examples of this phenomenon?
- A. The lasting inflation and the general economic crisis have made it more difficult for promoters - who have to submit requests three months' ahead, except in special justified cases of urgency - to make accurate estimates. Greater flexibility in the acceptance of carry-overs - which would, however, make management of the Fund considerably more difficult (cf. preceding question) - could relieve the problem of precautionary over-estimation. However, since this might lead to a continuing reappraisal (downward or upward adjustment) of the approval given by the Commission, the Commission intends only to accept downward adjustments (carry-over of a part of the same programme to the next financial year, i.e. a carry-over proper) and to refuse upward adjustments for the same financial year (request for rectification of an approval), unless a new request for approval is submitted within the time limit of three months.
14. Q. Does the Commission feel that enough is being done to publicise the possibilities of assistance under Article IV to remedy the shortfall in applications witnessed on page 25?
- A. Yes (See the answer to question No.9)  
An analysis of the reasons for the shortfall in applications for assistance is attempted on pages 25 and 42 of the Report.
15. Q. Is not the history of the inter-play between Articles IV and V, with regard to handicapped persons, as mentioned on page 25, exactly the opposite of what was intended?
- A. The Council adopts the decision to open Article 4. The Commission has fixed internally a ceiling for cumulative interventions (Articles 4 and 5) for handicapped persons for the financial year 1975 so that the amount of aid granted in 1974 is - proportionally - not exceeded. The amounts allocated to

this end for 1976 are given in the Commission's preliminary draft budget; the amounts under Articles 4 and 5 which have been adjusted in the light of the Council's draft budget and the Parliament's proposed amendments are given in the documents drawn up by the Committee on Budgets and examined by Parliament on 11 November in Luxembourg.

16. Q. When the Commission talks of greater selectivity for applications under Article IV (as under Article V) (see page 25), is this not an example of the dubious practice of tightening up the criteria after the applications have been submitted which could then result in arbitrary refusals for assistance?

A. No, the Commission is simply implementing Article 7 of the Council Decision (71/66/EEC) of 1 February 1971 on the reform of the European Social Fund. This Article stipulates that the Commission should approve projects and applications for assistance from the Fund 'up to the amount of the appropriations available'. Since total applications exceed available appropriations, a selection procedure (according to priorities) has become necessary.

17. Q. What does 'the self-imposed limitation on the part of national governments which led them to be more selective before forwarding applications to the Commission' consist of? (Reference page 26)

A. This simply refers to experience gained in the Fund Committee's study of the applications. The Commission has gradually worked out a sort of 'case law' on the basis of the Committee's discussions. The selection which has become necessary as applications exceed available resources has led national administrations to only submit priority applications, i.e. to preselect applications.

#### The financial operation of the European Social Fund

18. Q. What has been the follow-up on the internal notes (dated 15 July 1973 and 2 July 1974) which have established the working methods to be used by the Commission departments in the improvement of the general regulatory framework? (Reference page 30)

18. A. These are various measures of which Parliament was informed by Mr Cheysson on 11 November during the budget debate. Certain measures relating to control and spot checks, with regard to the Social Fund, can only be gradually introduced, depending on the number of appropriate staff.
19. Q. On page 31 the Commission refers to the redefinition of the unit of account, using the 'basket' unit of account already adhered to under the Lomé Convention: what does the Commission mean by the use of this unit of account bringing about a found change in management methods, what progress has been made towards this new unit of account for application to the Social Fund?
- A. It seems unlikely that the difficulties already mentioned (questions 12 and 13: carry-overs and over-estimation) would be mitigated if the promoters had to make allowance in their estimates for changes in exchange rates likely to occur between the time when they make these estimates and the time when the Commission endorses their applications, and then pays a first or even a second instalment before paying the balance. This is not an easy operation to carry out in the course of one financial year and would be even trickier for triennial programmes. Accordingly, it seems quite in order to say that management would be made more complicated as a result and there would need to be a far-reaching change in management methods. It has not yet been decided whether or not to apply this new unit of account to the Social Fund.
20. Q. On page 32, the Commission admits to having ignored the opinion of Financial Control and having, for political reasons, financed promoters with appropriations allocated to projects already approved, outside the deadlines envisaged in the financial regulation. Can the Commission now give the details behind this and explain their conduct which at first sight seems to be extremely irregular? Can the Commission also give information about the administrative steps it says it has taken to prevent the problems recurring?

21. Q. Further information is needed on the new measures the Commission has taken (5 March 1975) to overcome some of the problems of financial control (as listed on page 33)
22. Q. Can the Commission give information about the problems arising from the variations in interpretation of Community regulations? What precise proposals have the Commission suggested to eliminate such variation in interpretations in the future?
23. Q. Can the Commission give more details, and indeed more background, to the use of this notion of a lump sum rate and the accompanying definition of the calculating methods to be used?  
(Reference page 34)

20, 21, 22, 23.

A. The Commission has not overrun the deadlines provided for in the Financial Regulation. In point of fact the Commission decided to ignore the opinion of Financial Control (withholding of approval) in view of the nature of the difficulties encountered, precisely because the appropriations relating to the projects which it had previously approved were likely to be cancelled.

Indeed, the reasons for which Financial Control withheld approval are basically as follows, though they varied from one case to another:

- (i) Utilization of averages calculated on a national basis for certain types of aid;
- (ii) Utilization of a proportional unit cost for estimating purposes;
- (iii) Inadequate information in the documents presented to support the applications for payment; inconsistencies between the classification of expenditure in national systems and the Fund's aid nomenclature.

The Commission considered that the Member States could not be requested to apply rigorously and right away the technical provisions implicit in the specific type of accounting procedure needed for the expenditure relating to the operations approved. This applies in particular to the new Member States, which are not yet familiar with the Social Fund's mechanisms.

In addition, the checks that were carried out did not bring to light any kind of irregularity which would have given grounds for calling into question the Commission's decision to approve the projects. In these circumstances, although the Commission recognized the validity of the objections made by Financial Control, which has the responsibility of ensuring that the Financial Regulation is applied correctly, it thought that what it could do and ought to do was to attempt to comply with the major objective of the Social Fund - which is to help the Member States to resolve their unemployment problems. This is the only meaning that can and must be attached to the expression used in question 20 ('for political reasons').

However, the Commission realized that Financial Control's objections were pertinent and decided to take certain steps which are set out on pages 33 and 34 of the annual report. The following progress has been made:

- (a) Forms for applications for assistance and for payment have been worked out by the Fund departments and tested in collaboration with the authorities in the Member States. They will be finalized for the beginning of 1976 and can therefore be used from then onwards.
- (b) Variations in the interpretation of Community rules can only be eliminated progressively; several of the questions in this questionnaire refer to this point. Moreover, most of these variations should disappear once the forms have been standardized as mentioned in point (a) above.
- (c) The Commission submitted to the Social Fund Committee a draft decision concerning the methods of calculating certain aid, at its meeting on 29 September 1975. This proposal, the principles of which were approved unanimously, is before the Commission at this moment for final approval.
- (d) On 5 June 1975 the Commission forwarded a proposal for a Regulation amending the Financial Regulations as regards Social Fund appropriations with a view to extending by one year the period in which appropriations for payment can be carried forward automatically (Article 6 of the Financial Regulation). The Council did not accept this proposal, however, and allowed this waiver only for the appropriations



for payment for the financial year 1974. This waiver did not include carrying over the appropriation of 51.36 million u.a. (Article 4, ESF) from 1974 to 1975.

Consequently, the Council's decision concerning the carry-over, which was not taken until 22 September, makes it necessary to carry out both the commitments and the payments before 31 December 1975; otherwise the appropriations that have not been used by that date will be cancelled.

In view of the circumstances, it now seems probable that a large proportion of the appropriations will not be used and will therefore be cancelled.

24. Q. Would not an introduction of a period of grace for requests for payment simply aggravate delays in a domain seemingly dominated by this problem? (Reference page 34)

A. 'Délai de forclusion' ('foreclosure time limit') was translated as 'period of grace'. This question is therefore based on a misunderstanding.

25. Q. Can the Commission indicate what progress has been made in the preparation of a directive for on-the-spot verification? (Reference page 34)

A. A Directive of this kind has not yet been formally drawn up. However, tests have been carried out concerning possible types of random checks, for example by agreement between Financial Control and the Fund departments.

A proposal taking into account experience gained in this way will be presented to the Commission at the beginning of 1976.

#### Operations under Article IV

26. Q. Has the Council yet taken a position on the Commission's action programme for migrant workers submitted in December 1974? (Reference page 37)

A. The Council has not yet taken a position on the Commission's programme for migrant workers. However, in view of the progress made by the Council in this field, it can be expected that the Council (social affairs) will discuss a draft Resolution on migrant workers at its last session of 1975 (probably 18 December)

27. Q. Why are no appropriations given, in the table on page 40, for expenditure in 1976 on migrant workers?
28. Q. This table reflects a massive emphasis on appropriations under Article IV in the agricultural and textile sectors, as opposed to migrant workers and handicapped persons.  
Is this a reflection of the Commission's priorities in this field?

27 and 28.

- A. It is true that the table on page 40 does not contain appropriations for migrant workers for the financial year 1976. The reason for this is that Council Decision 74/327 (EEC) authorizing the Fund to act in this new field under Article 4 was not taken until 27 June 1974 (OJ No L 185/20 of 9 July 1974). As this is a new field it seemed sound management policy to limit the commitments and commitment authorizations so as not to prejudice future action. Accordingly it can be seen from question 33 that it was impossible to carry out a sufficiently worthwhile interpretation on the basis of the applications sent in by the end of the year.

This also applies to action concerning handicapped persons. Council Decision 114/328 (EEC) of the same date (27 June 1974) authorized this type of action, also for the first time (OJ No L 185/22 of 9 July 1974).

Major characteristics of applications for assistance (Article IV)

29. Q. Is the Commission satisfied with the quality of the applications received, when the Commission talks about 'highly diverse applications'?

(Reference page 41)

The draftsman of the Committee on Budgets recalls the remarks made by Mr. Cheysson to the Committee on Budgets on this subject at its meeting on September 16th in Brussels.

Is this an indication that the Commission is unable to achieve any coordination of efforts within the Member States?

29. A. The report merely points out the risk of highly diverse and circumscribed applications if the requisite degree of coordination regarding the targets of the new fields of application of Article 4 is not achieved. As indicated in the report on page 41 'the decisions on the extension of Article 4 should not be regarded as the final stage or culmination of a policy but rather as the starting-point for the coordination of objectives.' The Commission feels that this coordination can only be achieved progressively, and will have to be shaped in accordance with the applications actually made; as the Commission points out in various places in the report, it sets great store by the opinions expressed by the Social Fund Committee in this respect.
30. Q. The Commission refers to there being 'no flood of applications' in the year immediately following the decision of Council. For 1975, how many applications have been received so far?
- A. Operations approved for the financial year 1974 under Article 4 totalled 47.4 million u.a. In 1975 this total has more than doubled. However, it is not yet possible to give a final figure as the Social Fund Committee still has a large number of applications to examine at its next meeting at the end of November. This final figure and the list of operations approved will be given in the next annual report.
31. Q. Given that the Committee of the Fund has adopted a looser definition enabling it to take action about the problems in shanty towns and remote rural areas, (page 43) how much progress has been achieved?
- A. Thanks to the more flexible interpretation of Article 4 (agriculture) it has been possible to extend action by the Fund to the cases mentioned in question 31.

#### Handicapped persons

32. Q. How does the Commission hope to resolve the 'difficulties of interpretation' of the decision regarding the wording 'short-term demonstration projects'?
- A. Because of the procedure already pointed out, the difficulties in interpretation of a decision are brought to the Commission's attention when examining applications for assistance from the Fund and are resolved with the help of the Social Fund Committee. As the complexities of each particular case manifest themselves progressively, difficulties in interpretation can only be resolved progressively.

### Migrant workers

33. Q. How has it happened that one Member State has applied for 'almost four-fifths of the total amount applied for'?
- A. One Member State has indeed made an application in respect of migrant workers which represents almost four-fifths of the total amount applied for. Under Article 5 of Council Regulation (EEC) 2396/71 'Only the Member States concerned shall be competent to forward to the Commission applications for assistance from the Fund'.
34. Q. Is there now any proposal to remove the difficulties of interpretation under Article II of the decision? (Reference page 44)
- A. As indicated above, particularly in the answers to questions 32 and 22, it will only be possible to resolve difficulties in interpretation progressively in the light of the difficulties which emerge during examination of the applications for assistance submitted under Article 2 of the Decision concerning migrant workers (27 June 1974).

Because of the legal problems involved some difficulties have still not been resolved. However, with the help of the Fund Committee, the Commission will endeavour to take practical steps to resolve the difficulties entailed by the applications for aid which it has received.

### Operations under Article V

35. Q. The Commission mentions the success in adjusting priorities (Reference page 45)  
How were these priorities adjusted?
- A. As indicated on page 45 of the report what this in fact entailed was the avoidance of superimposing priorities which would have been necessary, because of the shortage of funds, to cope with the considerable volume of applications, if the carry-over of 40.7 million u.a. had not been transferred to the operations under Article 5.

This superimposing of priorities because of the shortage of funds had consisted in applying the criteria (elderly workers, women over 35 years of age and young people under 25 years of age) of Article 1(2)(c) of Council Regulation (EEC) No 2396/71 in addition to the normal priorities previously agreed on. As it seemed a somewhat arbitrary solution and, in particular, very difficult to operate, the members of the Fund Committee were very pleased to learn that the carry-over of 40.7 million u.a. transferred in September 1974 obviated the need to apply it.

#### Migrant workers

36. Q. How has the Commission resolved the difficulty, mentioned on page 47, of, on the one hand, establishing a stable budget of 'case law' and, on the other hand, avoiding any stereotyping of temporary solutions?

A. This question has already been answered implicitly in the answers to questions Nos. 27 and 28. It is precisely to maintain a balance between a stable 'case law' on the one hand and a changing framework on the other that - as two new fields, i.e. handicapped persons and migrant workers, were opened up in 1974 - the Commission proposed that a case law applicable for one year only should be maintained. The underlying idea is that only after a certain period of time has elapsed, and when sufficient request files have been received from all the Member States, will it be possible for both the Social Fund and the members of the Committee to develop a sufficiently refined 'case law' which will then be proposed to the Commission which is responsible for deciding whether or not to grant approval.

37. Q. Does the second paragraph on page 48 concerning isolated non-promotional operations indicate that the Community is financing such projects?

Can the Commission give an example here?

A. Paragraph 2 on page 48 of the report, referred to by the Commission, in no way implies that the Community finances such measures. A reading of the paragraphs preceding and following the paragraph in question will show that the third category

involved has been excluded. This misunderstanding may have arisen from the use in the English version of the terms 'third preference' and 'second preference', whereas the French text distinguishes the 'deuxième priorité' from a 'troisième catégorie'.

Other operations under Article V

38. Q. How has the Commission adapted operations undertaken of the regional type in view of the establishment of the Regional Fund?

A. In the 1974 financial year the Commission was unable to include among the so-called regional operations under Article 5 of the Social Fund the creation of the Regional Fund, which had not yet taken place. However, since the beginning of 1975 the Commission has taken as a basis for the admissibility of applications for regional aid under Article 5 of the Social Fund those regions and areas eligible for aid from the ERDF. Within those regions and zones the Commission lays down priority fields for aid from the Social Fund on the basis of the criteria adopted by the Social Fund.

39. Q. Does the Commission believe that Article 3(2) of Regulation 2396/71 mentioned on page 49 is too restrictive, and if so, what changes does it suggest?

A. The amendment proposed by the Commission results from the Council Decision of 22 July 1975 on action by the European Social Fund for persons affected by employment difficulties (75/459/EEC) (OJ No L 199/36 of the EC of 30 July 1975). This decision to open up a new field for intervention under Article 4 of Decision No 71/66/EEC is designed, in the words of Article 1, 'to facilitate the employment and the geographical and vocational mobility of young people under twenty-five years of age, who are unemployed or seeking employment'.

40. Q. What does the Commission mean by the following sentence, on page 50, concerning vocational training:  
'Community "case law" allowed some relaxation of these rules for resettlement of operations not linked to a specific retraining programme'?

40. A. This sentence (page 50 of the report) means simply that upon receipt of a favourable opinion from the Committee of the Social Fund, the Commission agreed - solely for the benefit of Community migrant workers - that it would be advisable to assume that re-settlement operations could be financed from the Social Fund even if they were not connected with a specific training programme, since such migrant workers were returning to their country of origin.

41. Q. On page 52 the Commission refers to a 'very promising feature of 1974', namely a very considerable increase in the number of applications submitted by large public undertakings, chambers of commerce, regional and municipal authorities.  
Can figures be provided for this point?

A. The list of applications for aid approved in 1974, broken down by country and by type of aid, is set out in Annex 5 to the annual report for the 1974 financial year. The list shows a considerable increase in the number of applications from the major public undertakings, chambers of commerce and regional and even municipal authorities. The latter represented approximately 44% of the total number of applications.

The Commission considered this increase to be a positive factor insofar as it feared that the submission of general applications from national bodies was liable to result merely in the financing of national vocational training programmes which would be implemented in any case, with or without aid from the Social Fund.

This danger was indicated in the report on the 1973 financial year.

It would seem that the increase in the number of promoters is a sign that the idea underlying the creation of the new Social Fund is becoming widely known; one of the main purposes of creating the new Fund was to promote measures which could give the aid from the Fund a promotional nature, allowing for the Fund's limited financial resources.

42. Q. The Commission refers, on page 53, to the requirement that operations be open to all undertakings belonging to the same economic sector in order to avoid distortions of competition between such undertakings. The Commission says that this was a major obstacle when working out principles to deal with those applications of 'technical progress' type.  
How does the Commission propose to surmount these obstacles?
43. Q. Similarly, in view of the fact that, according to page 53, undertakings have defined, nevertheless, the groups for the submission of joint projects, how does the Commission propose to clarify the situation for 'groups of undertakings'?
44. Q. What comment has the Commission to make on the question it itself poses, namely that the total of the European Social Fund could be incompatible with the rules of competition of the Community Treaties?  
(Reference page 54)

42, 43, 44.

- A. To overcome the obstacle referred to on page 53 of the report (risk of distortion of competition between undertakings belonging to the same economic sector when applying the idea of 'technical progress'), in 1975 the Commission accepted only those applications relating to an entire branch of activity. Applications relating to only one undertaking were therefore rejected as they did not relate to the entire branch of activity.

In accordance with the procedure already referred to above (particularly in reply to questions Nos 8, 32 and 34), representatives of the relevant Directorates-General belong to the inter-departmental working party which examines all the applications for aid presented to the Social Fund. Directorate-General IV (Competition) is also represented in that working party and, whenever it considers it necessary, it raises objections to applications for aid which appear to be incompatible with the rules of competition laid down in the EEC Treaty.

Consequently, any necessary objections are formulated case by case, in the light of the information in the file, and are of course brought to the attention of both the Committee of the Fund and the Commission.



45. Q. Could the Commission comment on the following sentence in paragraph 3 on page 54:

'The criterion adopted was the extent to which the difficulties experienced by the undertaking might distort the local labour market'?

What basis does the Commission use in this sphere?

A. The Commission is endeavouring to assess the real extent of the problems (unemployment or threat of unemployment) posed by the group of undertakings in difficulties as regards the employment situation, and particularly taking into account the actual size of the labour market in which the group of undertakings is located.

In the case in question the group of undertakings have a dominant position in the micro-region concerned. In view of the geographical conditions (large region with a low population and containing only a few towns), it would seem that it could be regarded as a one-industry region in which serious disturbances affecting the dominant group of undertakings would have a bad effect on the balance on the labour market with no possibility of compensation within the labour market concerned.

#### Pilot schemes

46. Q. Does the Commission feel that a flat rate level of 50% of Community participation in pilot schemes represents the best approach?

Should differential rates be introduced here?

A. Article 7 of Council Regulation (EEC) No. 2396/71 of 8 November 1971 stipulates that 'the contribution of the Commission may not exceed 50% of the actual cost'.

Differential rates below the 50% limit are therefore possible.

There is all the more reason to reflect on the advisability of differential rates above this limit since it is because of this limit that the Commission had to abandon the idea of providing financial aid for certain schemes which were in line with the objectives set out in Article 7.

47. Q. Can the Commission give further information about the costs of the seminars and studies organized?  
How many participants were involved?  
How were they selected? (Reference pages 57 to 59)

- A. In Annex 4 of the report, the Commission has indicated the cost of the studies and pilot schemes which it financed during the 1974 financial year.

The Commission would point out that the seminar on data processing and adult training programmes referred to on page 59 was not financed from appropriations allocated to studies and pilot schemes but from appropriations for vocational training. The sum of 54,000 u.a. has been earmarked for this purpose.

As the seminar was particularly important for the preparatory work prior to intervention by the Fund it seemed advisable to indicate the main conclusions reached.

The participants, numbering approximately forty, were nominated on the basis of criteria relating to competence and representativeness.

#### Effectiveness of assistance

48. Q. Can the Commission forward the report of a group of experts studying the effectiveness of assistance? (Reference page 61)

- A. The report drawn up by the group of experts with regard to vocational training programmes which have received aid from the Fund is only one aspect of the progress made in the work carried out during the first two years of that group's existence.

The national offices (or agencies) which participated in that work had reason to believe that the report itself would be confidential, as it was intended only for the Commission. However, the Commission is drawing up a synopsis of the conclusions reached during the first two years of the group's work. The advisability of distributing the document will be examined at the appropriate time.

The comment made in the report (Chap. III, section 3, paragraph 2, p. 55) with regard to the principle of making studies generally available is relevant to this particular case: 'the chief objective of some studies ('to give guidance to the Council and the Commission... Article 7 of Council Regulation No.2396/71) might make it inadvisable to publish them: the effect of announcing that they would be published might compromise the quality of studies which are often based on confidential information.'

49. Q. Is the tentative conclusion reached concerning the need for a review of the list of aids given that certain types of training are ineligible for assistance from the Fund as texts stand at the moment (Reference page 62) already being concretized in the form of proposals?

A. The group's provisional conclusions on the effectiveness of the aids include only the initial proposals, which have yet to be examined. In any case, Article 11 of the Council's basic Decision of 1 February 1971 on the reform of the European Social Fund (71/66/EEC) provides that the Council shall review that Decision not later than five years after the date of its entry into force, ie. 1 May 1972

It follows from this provision that the list of aids given will be reviewed during 1976. It will also be noted that, in the case of migrant workers, for example B24 aid has been added by Council Regulation No. 1761/74 of 27 June 1974 (OJ No L 185/1 of 9 July 1974) to take into account the need to adopt the list of existing aids when opening up a new field.

Critique of the influence of the European Social Fund on Community Employment Policy

50. Q. What is the interim judgement of the Commission on the crucial point raised on page 64 concerning the quality of aid and hence also the quality of applications for aid from the Fund?

A. This is clearly a basic problem. Within the limits of its powers the Commission always makes every effort to ensure the closest possible cooperation between its departments and the national administrations or national employment bodies (or agencies) so that aid from the Fund is used to supplement efforts agreed upon at national level and is not merely used as a substitute.

That is chiefly what the section of the report to which Question No. 41 refers explains. At the same time, however, the Commission is perfectly aware of the need to maintain a united viewpoint as well as consistency, and therefore coordination between the departments responsible for employment policy at national level. Besides, that is why, since the

completion of the report, the Commission has made a point of organizing meetings between national experts on employment - more especially those on employment policy at national level - in order to enable the national administrations which, in the last resort, are responsible for employment policy, to use the Social Fund in the best interests of the Community, since the Fund is potentially a remarkable instrument as long as Member States are willing to use it in the way intended.

51. Q. In the light of the comments made on page 65, does the Commission propose to remove the restriction that only the Member States are competent "to forward to the Commission applications for assistance from the Fund"?

A. The Commission cannot consider putting an end to this exclusive right of Member States since the right is established under Article 5 (1) of Regulation (EEC) No. 2396/71 of the Council.

In the present situation, and quite apart from the underlying legal and political motivation for this provision, where the bodies in whose favour the Social Fund intervenes are bodies or other entities governed by private law, or, more generally, public authorities, it would be totally unrealistic to believe that, on a practical plane, the Commission was in a position to decide to grant aid from the Fund for projects in respect of which it had not received the guarantee of completion from the public authorities (Article 8 of Council Regulation No. 71/66/EEC of 1 February 1971). Nevertheless, this in no way detracts from the Commission's wish to extend the Fund's assistance to a wider range of applicants, as referred to in Question No. 41.

52. Q. What plans does the Commission have at present to improve the information provided by the Member States concerning, for example, employment figures (Reference page 66)

A. The Commission has just submitted a programme for employment statistics to the Council. Whilst awaiting the effects

of the improvements which this programme should bring about, the departments of Directorate-General V (Social Affairs) are regularly monitoring developments in all member countries. In most member countries the only data available at very short notice are unemployment figures. We should have no illusions about being able to achieve perfect comparability. Any estimate of the relative seriousness of different situations depends on complex elements and cannot be based on a limited number of objective factors.

53. Q. Has the proposal mentioned on page 68, namely that government members of the Committee of the Fund give regular assessments of the applications for aid presented in the context of all national aid, been activated?

A. This proposal will be examined in the course of the work mentioned in reply to Questions 3 and 7.

#### Guidelines for the future

54. Q. Does the Commission believe that the guidelines mentioned on page 70 for future actions, represent a feasible programme, given the scarcity of resources available for the Fund?

A. The appropriations set aside for the Fund result from a political decision. The principles outlined in the report do not imply that the European Social Fund is obliged to bear all national expenditure which arises. They are guidelines on the basis of which applications are authorized or rejected.

55. Q. Can the Commission clarify the question of priority for young unemployed, that the Fund now gives: given the reservation that it seems to form on page 71, in which it states that this problem is a "symptom" of a general situation?

A. The reservation stated on page 71 of the report merely refers to the fact that, at the session of 17 June 1975, the Council limited itself to young persons at the beginning

of Article 4 (cf. answer to Question No. 39). At that time the Council decided to postpone its discussions on the second part of the Commission proposal which aims to promote employment and geographical and vocational mobility in those sectors most affected by the recession whilst taking into account those regions most disrupted by unemployment problems (so-called "anti-crisis proposal").

56. Q. Given that the Commission seems to be moving towards a favourable position on the idea of differential rates of intervention, when can a proposal be accepted for this and what guidelines for such an initiative does the Commission have in mind?
- A. The Commission has stated that it is in favour of differential rates of intervention (cf. p. 73 of the report). Although the political climate does not favour this idea, the Commission is continuing preliminary work in this field.

The re-examination of the basic Decision concerning the revision of the European Social Fund, which will continue throughout 1976, means that this important point will be on the agenda.

57. Q. Can the Commission give an example of the "innovating and exemplary actions" that it has in mind? (reference page 73)
- A. One example of "innovating or model actions" (p. 73 of the report) is the experiment being conducted by the Heidelberg Centre for Handicapped People. The Centre's work and experiments have clearly served as a "demonstration" to the specialists and to those responsible for the rehabilitation and vocational training of handicapped people.
58. Q. The Commission, on page 74, says that only one Member country is making multi-annual forecasts of its expenditure in the social field. What proposals has the Commission in mind for encouraging other Member States to adopt this practice?
- A. In this delicate field mandatory measures (Council decisions) would appear to be less effective than developing a system

of cooperation between national and Community departments (cf. Answers 3 and 7).

59. Q. What are the Member States doing to increase the supply of teachers available for vocational training?

(Reference page 76)

In which countries is there "at present very little contact with the Fund"?

What does this phrase mean?

What action is proposed?

- A. This question is definitely the responsibility of the Member States or the Council. As for the phrase "the present number of applicants to the Fund is very limited", this can be interpreted only in relation to the passage on page 52 of the report to which Question 41 refers (cf. also answers to Questions 50 and 51). Finally, we must distinguish between the question of national coordination on employment policy and administrative measures connected with the European Social Fund and the question of spreading the innovative force of the Social Fund. These two aspects are not in the least incompatible; this supposes that the Member States are conscious of the need for greater coordination between their national employment policies. To the extent that the European Social Fund, sustained by discussions on specific projects, encourages exchanges of viewpoints, it would seem to be an irreplaceable lever to be used in the service of the stage-by-stage alignment of the various national employment policies in a single Community outlook.

60. Q. Is the proposed rate of increase, forecast at 25%, in appropriations to the Fund, defensible in view of the remaining outstanding imbalances in the budget?

(Reference page 77)

61. Q. Does the Commission intend to revise its forecast of appropriations for 1977 and 1978 in view of the cuts to appropriations for 1976 made by the Council in its draft budget?

60 & 61

A. This rate of progress for the Fund's resources (estimated at 25%) seems to be perfectly defensible if we consider the much greater increases of recent months in the national budgets relating to vocational training and measures to counteract unemployment in the various Member States. Whilst it is true that the Council has proposed a considerable reduction in the appropriations for the Social Fund compared with the Commission's preliminary draft budget, there still remains the fact that debates in the European Parliament, which relied mostly on the report made in the name of the Budget Committee (Doc. 361/75-WP 42.300 of 10 November 1975 and Doc. 361/75/Annex WP 42.300 of 10 November 1975), showed that Parliament itself does not feel this reduction to be desirable. At all events, this is a matter of policy in connection with which the Commission has made its choice based on the principle that, in view of the dimensions of the employment crisis and the increases made in those sections of the national budgets relating to this field, it is natural and desirable that Community intervention should increase proportionately.

62.

Q. When does the Commission expect that a final balance between appropriations for Article IV and those for Article V will be achieved? (Reference page 79)

A. By the terms of Article 9 (2) of the Council Decision of 1 February 1971 on the reform of the European Social Fund (71/66/EEC), the question of the distribution of appropriations between Articles 4 and 5 should be "reviewed by the Council within the time limit laid down in Article 11 (i.e. by 1 May 1977), it being understood that in the long term the greater part of the available appropriations must be reserved for action under Article 4". In the preliminary draft budget the Commission proposed distributing resources between these two Articles in such a way as to bring about a gradual rebalancing. But it will be noted that the amendments made by the European Parliament aim to reduce the Article 4 share of appropriations by comparison with the Article 5 share.